



**Engagement Plan
Fiscal Year 2020-2021**

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City of Tempe Internal Audit Office

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OBJECTIVE

The objective of an annual engagement plan is to guide the use of internal audit resources in the upcoming fiscal year. Development of an engagement plan helps ensure the Internal Audit Office (IAO) provides the City with the most comprehensive audit coverage possible with available resources.

It is neither possible nor prudent to audit every department, office, program and transaction each year. Therefore, the IAO uses a risk-based approach to identify potential audit projects. We analyze industry and organizational risk data and couple it with auditor experience and judgment, the audit staff's continuous observation of risks throughout the year, and our clients' self-assessment of risks to develop the engagement plan.

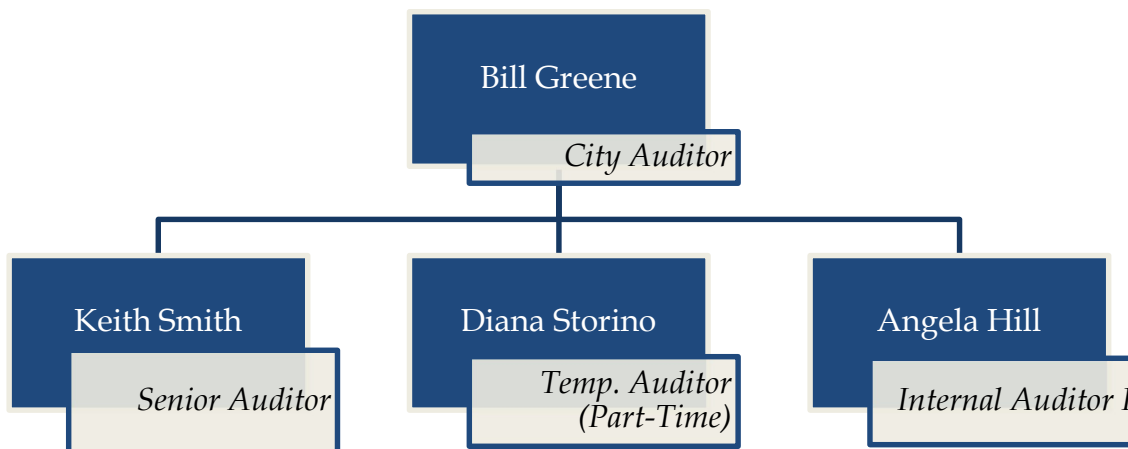
OUR VISION:

To be recognized as a collaborative, strategic, and trusted advisor and vital resource promoting and demonstrating excellence in public stewardship.

OUR MISSION:

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in achieving strategic priorities, goals, and objectives.

INTERNAL AUDIT OFFICE STRUCTURE



DEFINITION OF INTERNAL AUDIT

Internal auditing is an independent, objective, audit and consulting activity designed to add value and improve the City of Tempe's operations. It helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of *risk management, internal control, and governance processes* throughout the various departments and divisions citywide.

In addressing our mission, the IAO supports and assists City management and employees in the effective discharge of their responsibilities and achievement of strategic objectives by providing analyses, recommendations, advice, and information concerning:

- The adequacy and effectiveness of the City's internal control structure;
- The safeguarding and management of assets;
- Compliance with applicable laws and regulations;
- Achievement of management's operational objectives; and
- Effective business processes to achieve internal control at a reasonable cost.



RISK ASSESSMENT SUMMARY

OBJECTIVES

The IAO's risk assessment and audit plan supports the City of Tempe Council's commitment to the following defined priorities:

1. Ensuring a safe and secure community through a commitment to public safety and justice.
2. Developing and maintaining a strong community connection by emphasizing the importance of open government, customer service and communication with community members.
3. Enhancing the quality of life for all Tempe residents and workers through investment in neighborhoods, parks, the arts, human services, and city amenities, with an emphasis on equity and diversity.
4. Implementing sustainable growth and development strategies, including improving Tempe's public transit system to meet future needs, by actively seeking innovative technologies and leading the way in creating a more sustainable community.
5. Maintaining long-term financial stability and vitality by focusing on economic development, business retention and generating employment to create a robust and diverse economic base.

RISK IDENTIFICATION

In conducting the risk assessment, IAO met with senior management to solicit information to understand areas of risk within the city. The risk assessment process is a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the City to help manage risks, provide independent audits, and consult on projects, implementations, and initiatives. In addition, IAO reviewed City information and reports; researched risks common to governments and business organizations; and reviewed the top topics on local government internal audit plans to gain a more holistic view of risks that may be relevant to the city. Items identified include:

- Top 7 Industry Risks/Audit Topics – 2021
 - Cyber Security/Cloud Security
 - Regulatory Change/Compliance
 - Outsourcing/3rd Party Contracting
 - Digital Technology
 - Business Continuity Planning/Resilience
 - Succession Planning/Talent Retention
 - Organizational Culture

➤ City Specific Risks and Concerns:

In addition to the IAO employee risk assessment survey conducted every few years, we also reviewed city budget documents, the Comprehensive Annual Financial Report (CAFR), and Federal Single Audit Report. Top 3 City risk areas from our employee survey conducted this year include:

- Security/Physical safety of facilities and employees
- Continuity of Operations/Response to the pandemic
- Budget reductions (impact on service, ability to meet stated goals)

ENGAGEMENT IDENTIFICATION AND RISK MEASUREMENT

Potential engagements were identified to address risks throughout the City. Measurement and ranking of the associated risks and their significance were assessed based on several factors, including:

- Risk of Financial Loss
- Budget Allocation/Impact of Proposed Reductions
- Public Perception Risk
- Efficiency and Productivity Loss
- Recent Audit Coverage
- Alignment with Top Industry Risk Categories
- Alignment with City-Specific Risk Categories (Employee Survey)
- Identified as a Risk Area by Senior Management/IAO Staff

Consideration was also given to the following when assigning risk scores:

Impact *The effect on the City, and stakeholders, if a risk event occurs or if the area is not functioning as intended.*

Impact can include lost revenue, increased expenses, fines, adverse publicity, sanctions, reputational damage, and reduced employee morale.

Probability: *The likelihood that a risk event occurs or that the area is not functioning as intended.*

Probability factors can include prior audit results, turnover, management and staff concerns, lack of internal monitoring and/or governance, operational and control weaknesses, and poor training.

Velocity: *The pace the organization is expected to experience the impact of risk.*

The speed of regulatory enforcement action is an example of velocity.

FY 2020–2021 ENGAGEMENT PLAN		
	Title	Prelim. Objective
PLANNED FOR COMPLETION IN FY 2020-21		
Audits	Pandemic Response	Analyze financial aspects of the City's response to the CoVid-19 pandemic to identify potential future improvements (e.g. review effectiveness of processes designed to collect, document and submit COVID-related expenditures eligible for reimbursement; review process to apply for grant funds, etc.).
	Police On-Body Cameras	Evaluate recordkeeping, policies, and compliance with department operations orders for use of Police on-body cameras.
	Management of Controlled Substances	Review management controls over the physical security, custody, dispensing, and disposal of controlled substances used by Fire Medical Rescue.
	IT Asset Inventory	Evaluate controls over IT inventory from procurement through disposal.
	Multiple Limited Reviews	Conduct limited consulting reviews of various City operations. For example, provide feedback on: cash handling practices at remote locations (Petersen House, Compost Yard), controls over use of temporary employees and specialty pay, controls over refuse container disposal (other projects to be identified).
	Workforce Planning	Identify key positions with the potential to be vacated within the short-term; evaluate City-wide workforce planning strategies that help ensure continuity of operations.
PLANNED TO START BUT NOT COMPLETE IN FY 2020-21		
Audits	Public Records Requests	Evaluate controls that help ensure the City's compliance with public records laws (e.g. retention requirements, response to records requests).
	Grant Management	Evaluate management controls over grant programs that help ensure compliance with grant agreement terms and conditions. This audit will focus on those grants received by the City that were not audited as part of the Federal Single Audit or other granting agency audits.
	Revenue Contracts	Audit a sample of revenue contracts to evaluate monitoring controls and ensure the City is properly collecting amounts due.
CARRYOVERS AND OTHER SERVICES		
Fiscal Year 2019/2020 Carryovers	Title	Planned Completion
	Procurement Cards	1 st Quarter
	Police Property & Evidence	1 st Quarter
	Service Line Protection Program	1 st Quarter

	Decentralized Accounts Receivable	3 rd Quarter
	Transit Operational Financial Reporting	2 nd Quarter
	Healthcare Fund	1 st Quarter
	Payment Control Industry (PCI)/Data Security Standard (DSS) Compliance	3 rd Quarter
	Ambulance Billing	2 nd Quarter
Other Services	CMS System Administration	Ongoing
	Employee View Program Admin	Ongoing
	Committee Participation	Ongoing
	Investigations	As Needed
	Procurement Overview	As Needed

PLAN FLEXIBILITY

To ensure the IAO can respond timely to emerging risks and issues, the Audit Plan is subject to change due to:

- New or emerging risks or priorities
- Management requests
- Special investigations or reviews
- Special consulting services/engagements